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## INFORMATION REPORT

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- 25X1 1. [redacted] Yeh Kung-chao, Nationalist Foreign Minister, warned that the fall of Canton might accelerate recognition of the Chinese Communist Government by the sterling bloc countries. Yeh also announced that members of the Soviet Embassy were persona non grata with the Nationalist Government [redacted]

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- 25X1 2. Communist representatives are negotiating with Hong Kong authorities for de facto recognition of their Government, especially as it is set up in the areas bordering the New Territory.
3. Merchants in Hong Kong are eager to do business with Canton and expect to open large scale transactions by 1 November, because the Communist troops in South China are in need of medical supplies, shoes and other leather goods.
4. Approximately HK\$ 70,000,000 worth of raw materials and machinery are now stored in warehouses in the Kowloon area awaiting shipment to Shanghai. Through one man alone orders have been placed by Communist Government-controlled companies in Tientsin with China Engineers, Ltd., Liong, Liong, for textile machinery, machine tools, textiles, mining equipment, and chemicals, costing a total of 6,000,000 pounds sterling. The shipment of these goods as soon as possible to Tientsin has been approved by the authorities in Hong Kong.
5. While rumors of possible British recognition of the Chinese Communist Government please shippers and export-import men, the other British residents of Hong Kong are opposed.

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